



# Association of Bay Area Governments

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October 4, 1976

TO: Mayors, Chairmen of Boards of Supervisors, City and County Managers, Administrators and Planning Directors, and Local Housing Agencies

FM: *DMW* Dean L. Macris, Associate Executive Director

RE: Regional Distribution System for Federal Housing Subsidies

*Housing subsidies -- CA -- SF bay area*  
*- Policies - Finance -*

A regional system for distributing federal housing assistance funds among Bay Area cities and counties was approved by the ABAG Executive Board at its September 16 meeting. This action was taken following several communications to elected officials in recent months. The attached memoranda describe the approved system and the steps to implement it.

Executive Board action in September was timely since local governments throughout the region are preparing their third year Community Development Block Grant applications and Housing Assistance Plans. The approved ABAG system has been forwarded to the Department of Housing and Urban Development (HUD) as the preferred regional policy for distributing available subsidies. The approved system will also be used in the review of Housing Assistance Plans and project applications received by ABAG as the HUD-designated areawide planning organization and clearinghouse for federal grants.

The Regional Planning Committee (RPC) will continue working to improve and amend the system, in response to the concerns of ABAG's member governments and the constraints of available subsidy programs. The Committee held a public discussion on the subsidy distribution system at its regularly scheduled meeting on September 1. Notices of that meeting were sent to public officials and citizen groups throughout the region. About forty people attended the public meeting, many submitting thoughtful and constructive comments.

It is important to keep in mind that the approved distribution system can be applied only to those federal subsidies available for regional allocation, such as the Section 8 program for new construction or substantial

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rehabilitation. In meeting the housing needs of lower income people, additional resources are available which are not subject to a regional distribution system. Examples of these include the Community Development Block Grant funds and the recently enacted State Marks-Foran program.

It is also important to note that the precise numbers of subsidized housing units indicated for each locality in the enclosed memorandum are simply illustrative of the way the distribution system would be applied. Since not even HUD knows the exact amount in dollars or number of units that will be allocated to this region for the coming fiscal year, it is not possible at this time to specify the exact amount of assistance available to each community.

If you have any questions or suggestions about these or related issues, please contact me or Jean Safir, our planning staff person working with the Regional Planning Committee on implementation and amendments to the approved system.

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DATE: September 16, 1976  
TO: Executive Board  
FROM: Councilwoman Susanne Wilson, San Jose  
Chairman, Regional Planning Committee  
RE: Regional Housing Subsidy Distribution System

A proposed system for distributing Federal housing assistance funds in the nine-county Bay Area was presented to the Regional Planning Committee at its regularly scheduled monthly meeting on September 1. The attached memorandum describes the proposal developed by ABAG staff as it was presented to RPC. It would provide for the distribution of available housing subsidy funds to localities throughout the Bay Area for lower income families in renting suitable housing in communities that meet their needs.

Notices of the meeting were sent to public officials and citizen groups throughout the region, and about forty (40) people attended. Many thoughtful and exceptionally constructive suggestions were submitted to the Committee by both public officials and private citizens.

Some of the key issues raised were these:

- the flexibility of the system in responding to changes in subsidy programs as well as changes in local conditions;
- the ability of the system to respond to varying situations in the housing sub-markets throughout the region;
- the constraints that federal housing subsidy programs will place on ABAG's system, and the limited amount of subsidy funds available to the region as a whole;
- the role of RPC in implementing the system in relation to the role of Executive Board.

These issues demand and deserve the close attention of the Regional Planning Committee in seeking the optimum system for distributing housing subsidies throughout the Bay Area. We feel, however, that the proposed system is essentially workable and will accomplish its stated objectives.

We therefore recommend that it be approved by Executive Board, and that RPC be permitted to continue working with staff in making further improvements, in accord with the many excellent suggestions coming from comments submitted by member governments and the public. We would report to Executive Board periodically on modifications and revisions to be made in the system, but would like to have your approval at this time so that it can be forwarded to HUD as a general expression of regional policy.

Local governments throughout the region are preparing their third year Block Grant applications, and HUD will soon have to decide how to distribute the third round of housing subsidies within the Bay Area. Therefore, now is the time for ABAG to let HUD know the region's perspective on how those subsidies should be distributed.

We further recommend that RPC be assigned the principal responsibility of monitoring and implementing the system. This would consist of:

- reviewing Housing Assistance Plans submitted with Community Development Block Grant applications for A-95 review;
- reassigning unused subsidies to communities applying for increased allocations;
- distributing supplemental allocations if and as these become available;
- continuously monitoring and evaluating the system to see if it needs adjustment or major change.

MEMORANDUM

AUGUST 25, 1976

TO: REGIONAL PLANNING COMMITTEE

FROM: JOHN H. MCKOY, DIRECTOR OF PLANNING  
JEAN SAFIR, SENIOR PLANNER, HOUSING

RE: REGIONAL HOUSING SUBSIDY DISTRIBUTION SYSTEM

A regional housing subsidy distribution system gives local officials the opportunity to influence the way the Federal government distributes housing assistance funds among Bay Area jurisdictions. Since the passage of the Housing and Community Development Act of 1974, local governments nationwide have been responding to the urging of the Department of Housing and Urban Development (HUD) to develop regional plans for distributing Federal housing subsidies. The system is the first step required for the region's local governments to compete with other parts of the country in applying for bonus housing subsidy funds.

The housing subsidy distribution system presented in this memorandum has been developed in accord with the approach described in two earlier memoranda, dated April 7 and June 29.\* Both of those memoranda were widely distributed throughout the region, to government officials and to citizen groups. Many comments were received and discussions held between ABAG's housing staff and members of outside agencies.\*\* Those comments and discussions helped enormously in bringing the issues into sharper focus and in developing the system presented here for your approval.

The proposed system is based on the following factors:

- o the number of lower income people living in each local area;
- o the formula adopted by Congress to determine the size of each area's Community Development Block Grant;\*\*\*
- o the amount of subsidized housing located in each area; and
- o the location of lower income jobs throughout the region.

\* Additional copies of earlier memoranda are available on request.

\*\* See attached list of letters received and meetings held.

\*\*\*We have applied the formula to all nine counties, as well as all cities over 50,000 population in 1970, for the purpose of developing this regional distribution system, although three of the counties--Solano, Napa, and Sonoma--do not receive a formula amount of Block Grant funds under Federal law. See Sec. 106 of the Housing and Community Development Act of 1974.

The proposed distribution system contains two separate parts:

- o First, the "basic distribution", which consists of initial targets for the region's larger cities and counties to meet in seeking housing subsidies, and
- o Second, the "discretionary" or "bonus distribution", which specifies additional subsidies that each jurisdiction may seek in order to go beyond its initial target in expanding housing opportunities for lower-income people.

The "basic distribution" would reflect the first two factors and, in turn, contain two components:

- o Subsidies for lower-income households renting existing standard dwellings would be distributed across the region in accord with the estimated percent of the region's lower-income households living in each area.

Explanation: The proposed system is designed to aid cities and counties in meeting the housing needs of their lower-income residents. It would provide all Bay Area residents needing housing assistance with an equal chance to use the limited federal subsidies available. An area having 10% of the region's lower-income households would be allocated 10% of the basic subsidies available for renting existing standard dwellings.

- o Subsidies for lower-income households to use in renting newly constructed or substantially rehabilitated housing would be distributed across the region in accord with the formula adopted by Congress to determine each local area's Community Development Block Grant "entitlement".\*

Explanation: The proposed system would link the distribution of housing subsidies directly to the Block Grant program, which was designed by Congress to promote "the spatial deconcentration of housing opportunities for persons of lower income..."\*\* Three factors are combined in the formula used to determine the amount of Block Grant funds which each area is entitled to receive: total population, overcrowded housing, and extent of poverty.\*\*\*

The "discretionary" or "bonus distribution" would be based on the second two factors listed above:

- o the amount of subsidized housing already located in each area, and
- o the location of lower-income jobs throughout the region.

Explanation: The principal aim of the "discretionary distribution" is described by the Federal regulations governing "Supplemental Allocations Based upon Areawide Housing Opportunity Plans": to promote "a greater choice of housing opportunities for lower-income households outside of areas containing undue concentrations of low-income households."\*\*\*\*

\* See footnote (\*\*\*) on first page.

\*\* Housing and Community Development Act of 1974, P. L. 93-383, Sec. 101(c)(6).

\*\*\* See Sec. 102(a), ibid., for definition of these factors.

\*\*\*\* Federal Register, June 23, 1976, p. 25982.

Distributing future subsidies to areas that presently contain relatively little or none would automatically expand opportunities rather than reinforce earlier concentrations. Furthermore, in linking housing subsidy distribution to job locations, lower-income people would be more likely to find appropriate housing closer to job opportunities. A community that is experiencing growth in jobs could apply for a share of the "discretionary" units. We are proposing that housing subsidies become available for redistribution within the region as a result of some communities being unable to meet their basic targets. The "discretionary pool" could also be fed by supplemental subsidy allocations to the region from HUD to support area-wide "Housing Opportunity Plans."

The three attached charts illustrate the current system for distributing housing subsidies in contrast with the proposed regional system. The proposed system would have Bay Area cities and counties planning together rather than separately for the distribution of housing subsidies coming into the region. It would also introduce the concept that subsidies initially distributed to a particular Bay Area community that are unused would be retained in the region for use by other Bay Area communities. HUD would continue to handle the actual distribution of Federal subsidies, but once a regional system gets the approval of ABAG's Executive Board, HUD has agreed to use it if it meets their standards.

The following table illustrates the "Proposed Regional Subsidy Distribution System" as it would operate if it were applied to the same total number of subsidized units (7907) that HUD distributed among Bay Area cities and counties in the first year following the 1974 H & CD Act. That would compose the "basic distribution", which was developed to reflect the Community Development Block Grant "entitlement" formula and the proportion of lower-income people living in each local area.

The proposed "Discretionary" or "Bonus Distribution" is based on very different factors--the location of employment opportunities and of subsidized housing under previous programs. It therefore has a very different effect than that resulting from the "basic distribution". Compare the two percentage (%) columns in the center of the table: the larger central cities of the region would receive substantial assistance through the "basic" distribution, but no bonus distribution under the proposed system. In spite of the fact that these cities have a large share of the region's lower-income jobs, their previous share of the total subsidized housing coming into the region is so great compared with most other communities that it overshadows the employment factor.

It should be clearly understood that these figures can only illustrate the way the proposed system would operate. Since we do not yet know from HUD how many subsidized units will be available for distribution among Bay Area communities, we cannot determine exactly how many can be made available to each area. Also, as we complete current work to improve basic data--1975 update of housing stock and employment--the figures may change slightly. Furthermore, it is very likely that regional subsidy distribution systems will be applicable to a number of housing assistance programs other than Section 8. By the time the new programs are defined and additional funds become available, we hope that the Bay Area's cities and counties have an approved regional system.

ILLUSTRATION OF  
PROPOSED REGIONAL SUBSIDY DISTRIBUTION SYSTEM

	ABAG Proposed Basic Distribution				ABAG Proposed Bonus Distribution		ABAG Proposed Total Distribution: Basic plus Bonus			
	New/ Rehab.	Exist.	Total	%		%	If 1,000 units bonus to region		If 3,000 units bonus to region	
	#						#	%	#	%
Regionwide Total	1995	5912	7907**	100.00	100.00		8907	100.00	10907	100.00
Alameda County	561	1451	2012	25.45	23.09		2243	25.18	2705	24.80
Alameda	34	99	133	1.68	.03		133	1.49	134	1.22
Berkeley	80	256	336	4.25	2.51		361	4.05	411	3.77
Fremont	36	53	89	1.13	3.59		125	1.40	197	1.81
Hayward	44	91	135	1.71	3.26		168	1.89	233	2.14
Oakland	254	721	975	12.33	--		975	10.85	975	8.94
San Leandro	25	77	102	1.29	5.67		159	1.79	272	2.49
Co. Rem.*	88	154	242	3.06	8.03		322	3.62	483	4.43
Contra Costa County	182	491	673	8.51	9.37		767	8.61	954	8.75
Concord	28	60	88	1.11	2.69		115	1.29	168	1.54
Richmond	49	111	160	2.02	--		160	1.80	160	1.47
Co. Rem.*	105	320	425	5.38	6.60		492	5.52	626	5.74
Marin County	47	187	234	2.96	3.68		271	3.04	344	3.15
Napa County	24	83	107	1.35	1.80		125	1.40	161	1.48
Napa	16	46	62	.78	--		62	.70	62	.57
Co. Rem.*	8	37	45	.57	1.80		63	.71	99	.91
San Francisco	458	1505	1963	24.83	--		1963	22.04	1963	18.00
San Mateo County	186	515	701	8.87	26.01		961	10.79	1481	13.58
Daly City	26	63	89	1.13	2.73		117	1.31	172	1.58
Redwood City	21	72	93	1.18	3.52		128	1.44	199	1.82
San Mateo	28	93	121	1.53	3.88		160	1.80	237	2.17
Co. Rem.*	111	287	398	5.03	15.86		556	6.24	873	8.00
Santa Clara County	401	1216	1617	20.45	30.30		1919	21.54	2526	23.16
Mountain View	21	86	107	1.35	3.97		145	1.63	226	2.07
Palo Alto	19	79	98	1.24	3.80		137	1.54	215	1.97
San Jose	212	518	730	9.23	--		730	8.20	730	6.69
Santa Clara	35	104	139	1.76	4.83		187	2.10	284	2.60
Sunnyvale	32	99	131	1.66	5.95		191	2.14	310	2.84
Co. Rem.*	82	330	412	5.21	11.67		529	5.94	762	6.99
Solano County	80	184	264	3.34	.30		267	3.00	273	2.50
Vallejo	35	86	121	1.53	--		121	1.36	121	1.11
Co. Rem.*	45	98	143	1.81	.30		146	1.64	152	1.39
Sonoma County	56	280	336	4.25	5.47		391	4.39	500	4.58
Santa Rosa	24	71	95	1.20	--		95	1.07	95	.87
Co. Rem.*	32	209	241	3.05	5.47		296	3.32	405	3.71

\*"County Remainders" (Co. Rem.) include units for cities under 50,000 pop. in 1970 for which comparable data is not yet available, and for unincorporated areas.

\*\*7907 units is the total number of subsidized units which HUD distributed among Bay Area cities and counties in the first year following the 1974 H & CD Act; it is used here for illustrative purposes. HUD will not know until Spring 1977 the total number of subsidized units to be available next year for distribution among the nine Bay Area counties, or the proportion that will be available for new/rehab. versus existing (See p. 2 for explanation). Therefore, the precise numbers of units indicated for each locality may change by the time the proposed system is to be implemented.

NB: Columns may not add due to rounding.

The final table illustrates the way in which the proposed system would result in a more equitable distribution of housing subsidies among the region's communities than has occurred with earlier subsidy programs. In almost all cases, each area would move closer to the regionwide average in percentage of housing stock receiving Federal subsidy, with the adoption of the proposed distribution system.

The first column on the table indicates the distribution of housing subsidies under programs other than the Section 8 program. These were programs authorized by Congress prior to the Housing and Community Development Act of 1974, and include traditional public housing, as well as Section 23, 236, 221.d.3, 231, 202, and rent supplement. A ratio of 1.00 would indicate that a locality had the same proportion of its total housing stock receiving direct federal subsidies as the regionwide average. With approximately 60,000 subsidized units regionwide, about 3% of the total housing stock is now subsidized. A ratio above 1.00 indicates more than 3% and below 1.00 indicates less.

The second column shows the distribution resulting after HUD allocated Section 8 subsidies through the first two years of this program. In most cases, communities became more like the regionwide average, as larger amounts of subsidy went to areas that had previously received less, and smaller amounts went to areas that had been receiving more than the regionwide average.

The third column illustrates the pattern that would occur if the proposed regional system is implemented. As each ratio moves closer to 1.00, each community would move closer to the regionwide average in percentage of its total housing stock receiving direct federal subsidy. Thus, the proposed distribution system would apparently have the effect of "promoting spatial deconcentration of housing opportunities for persons of lower income," in accord with federal legislation\* and regional policy.

#### Next Steps: Approval and Implementation

1. Based on public discussion and RPC review, the Regional Planning Committee makes whatever changes are needed in the proposed system and recommends to Executive Board:
  - a. A Regional Housing Subsidy Distribution System for its approval; and
  - b. Steps 3 through 6, listed below.
2. Executive Board reviews, revises, and approves:
  - a. A Regional Housing Subsidy Distribution System; and
  - b. Steps 3 through 6 following.
3. Staff distributes the approved distribution system to all local governments in the region that will be affected by it, and requests their support. Local governments will be advised that the approved system will be used by ABAG in our reviews and comments on all applications for housing and community development funds.

\* Housing and Community Development Act of 1974, Op. Cit.

PROPOSED REGIONAL HOUSING SUBSIDY DISTRIBUTION SYSTEM

Measuring Impacts on "Spatial Deconcentration"

	HUD Distrib. through 1/75	HUD Distrib. through 6/76	HUD Distrib. through 6/76 plus Proposed Regional Distrib. through 9/77
<u>Regionwide Total</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
<u>Alameda County</u>	<u>1.07</u>	<u>1.10</u>	<u>1.10</u>
Alameda	1.31	1.27	1.20
Berkeley	1.04	1.01	1.05
Fremont	.16	.31	.43
Hayward	.63	.75	.81
Oakland	1.77	1.65	1.55
San Leandro	.25	.35	.55
Co. Rem.	.48	.74	.77
<u>Contra Costa County</u>	<u>1.17</u>	<u>1.19</u>	<u>1.13</u>
Concord	.42	.53	.60
Richmond	3.04	2.75	2.47
Co. Rem.	.93	.99	.95
<u>Marin County</u>	<u>.63</u>	<u>.69</u>	<u>.69</u>
<u>Napa County</u>	<u>.66</u>	<u>.80</u>	<u>.82</u>
Napa	1.38	1.53	1.41
Co. Rem.	--	.15	.28
<u>San Francisco</u>	<u>1.53</u>	<u>1.31</u>	<u>1.25</u>
<u>San Mateo County</u>	<u>.34</u>	<u>.46</u>	<u>.57</u>
Daly City	.18	.36	.48
Redwood City	.21	.35	.51
San Mateo	.28	.39	.52
Co. Rem.	.41	.51	.60
<u>Santa Clara County</u>	<u>.85</u>	<u>.92</u>	<u>.95</u>
Mountain View	.42	.52	.67
Palo Alto	1.28	1.19	1.24
San Jose	1.25	1.28	1.20
Santa Clara	.31	.47	.65
Sunnyvale	.33	.46	.62
Co. Rem.	.37	.75	.81
<u>Solano County</u>	<u>1.52</u>	<u>1.29</u>	<u>1.21</u>
Vallejo	2.05	1.74	1.60
Co. Rem.	1.11	.94	.91
<u>Sonoma County</u>	<u>.53</u>	<u>.64</u>	<u>.69</u>
Santa Rosa	1.38	1.30	1.21
Co. Rem.	.25	.42	.51

\* Measurement consists of a ratio, local ÷ regional %, subsidized units as a % of total units (1970). Numbers less than 1.00 indicate less than the regionwide average percentage of subsidized housing. Numbers above 1.00 are shown for communities with higher proportion of subsidized units than regionwide average.

o The first column portrays the distribution of housing subsidies through January 1975. This was prior to the Section 8 program, initiated with the Housing and Community Development Act of 1974.

o The second column portrays the distribution of housing subsidies as of the end of Fiscal '76. This includes the first two years of the Section 8 program, as well as earlier subsidies.

o The third column portrays the distribution of housing subsidies as it would be at the end of Fiscal '77, if ABAG's proposed system is approved and implemented.

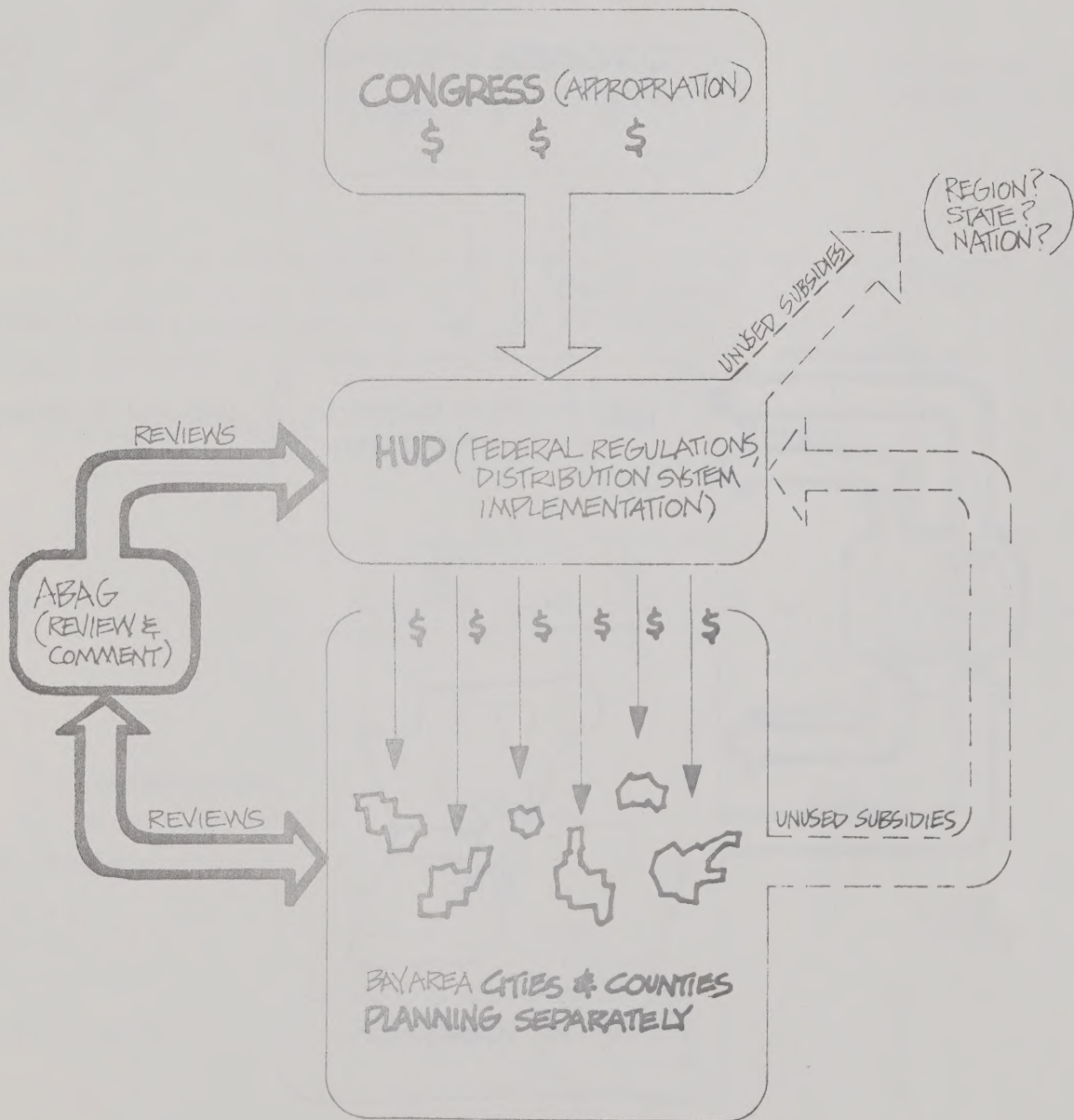
All communities that had less than the regionwide average in subsidized housing in earlier HUD programs would move closer to the regionwide average under the distribution system proposed by ABAG.

4. Staff forwards the approved distribution system to HUD for their acceptance and use in distributing federal subsidies, and for their consideration in anticipation of special appropriations for housing opportunity bonus subsidies.
5. The approved distribution system is used:
  - o by local governments in the region in their own housing and community development programs, and in their applications for assistance;
  - o by HUD in its distribution of housing subsidies; and
  - o by ABAG in its plan and project reviews, and in developing a Regional Housing Element.
6. Regional Planning Committee assumes the responsibility of monitoring and implementing the approved subsidy distribution system. This will consist of:
  - o reviewing Community Development applications and Housing Assistance Plans according to the approved system;
  - o reassigning unused subsidies to communities applying for increased allocations;
  - o monitoring the distribution of supplemental allocations if and as these become available; and
  - o annually evaluating the system to see if it needs adjustment or major change.



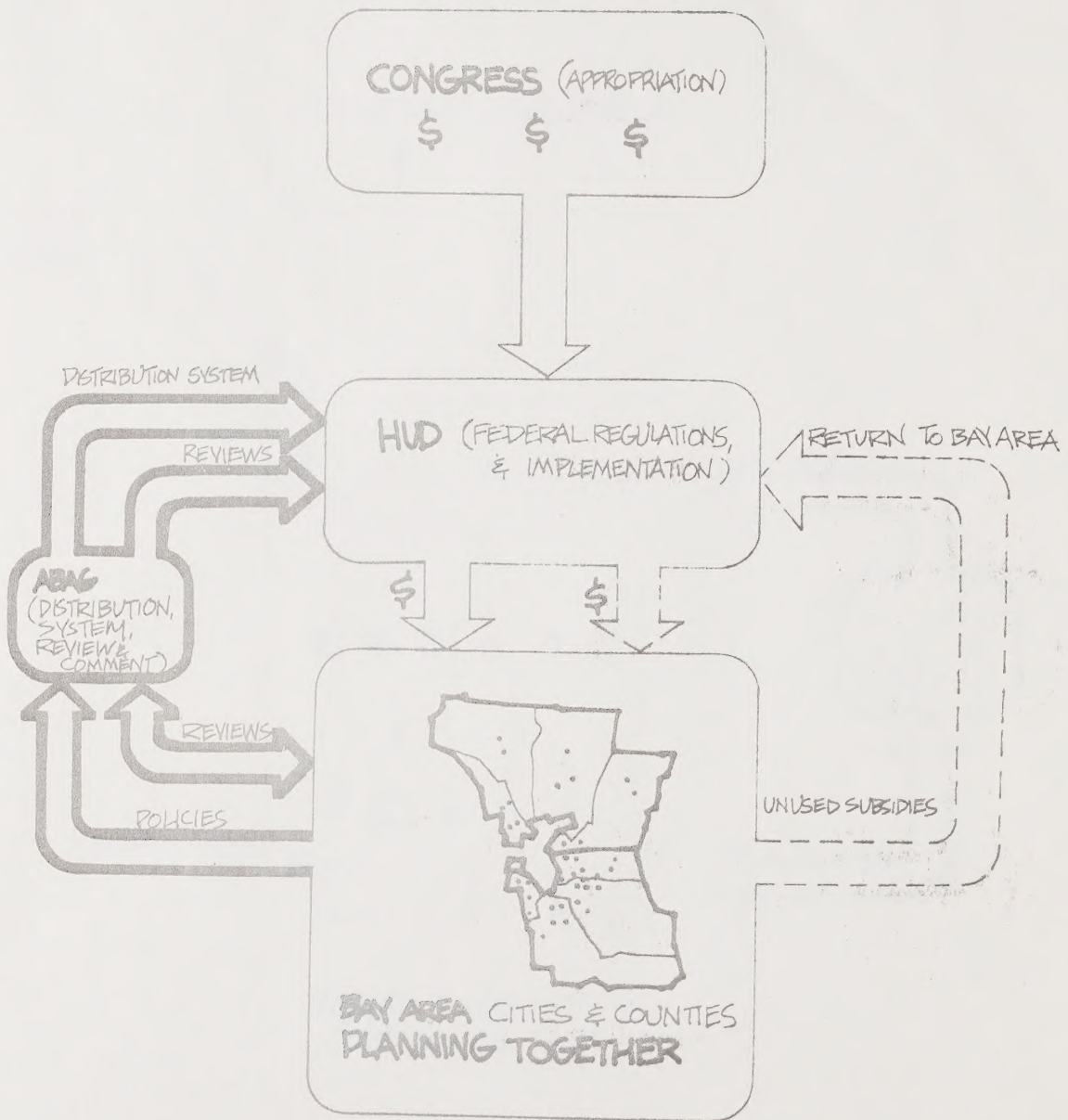
# THE CURRENT SYSTEM

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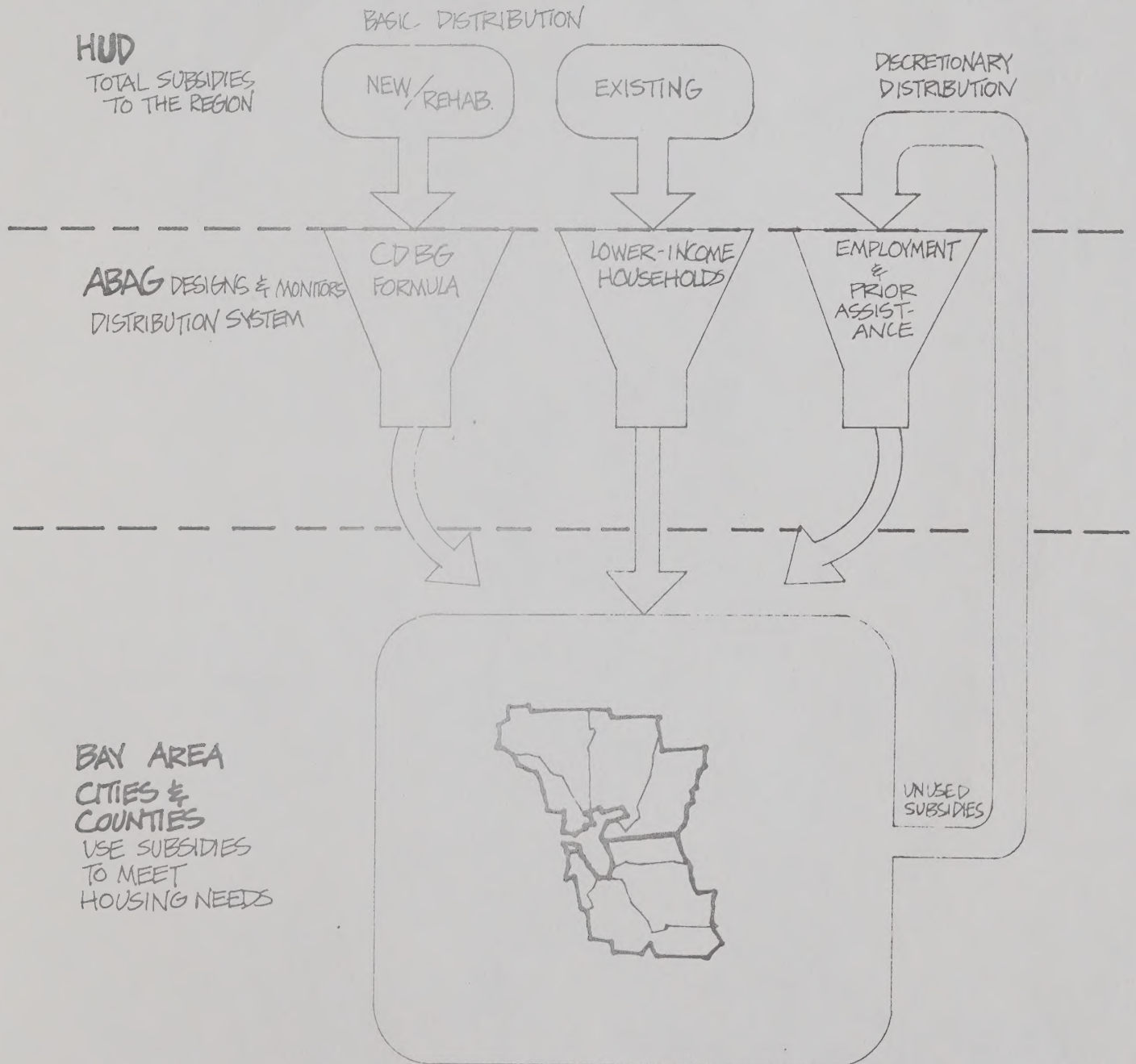
# THE PROPOSED SYSTEM

II



# ABAG DISTRIBUTION COMPONENTS

## III



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